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SENSITIVE

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SUBJECT: Brazil: Economic Partnership Dialogue meetings

REF: A) BRASILIA 1418 B) BRASILIA 1482

SENSITIVE BUT UNCLASSIFIED

¶1. (SBU) SUMMARY: Brazilian External Relations Ministry (MRE) U/S Mendonca welcomed the continuation of the Economic Partnership Dialogue (EPD) in the October 30 meeting with WHA A/S Tom Shannon and EEB A/S Dan Sullivan. The EPD agreed to expanded substantive cooperation in third countries on development and social inclusion goals. The group welcomed the civil aviation agreement, the CPSC-INMETRO import safety MOU, and joint cooperation in areas including infrastructure, industry sectors, and Haiti. Participants discussed investment, OECD, and innovation issues, reported progress on distinctive products (cachaca and bouron), and agreed to explore a way forward on a possible telecommunications equipment mutual recognition agreement. END SUMMARY

STRATEGIC OVERVIEW

¶2. (SBU) A/S Shannon confirmed the Economic Partnership Dialogue has been a productive forum for positive cooperation on economic issues. A/S Sullivan underlined the Dialogue had accomplished much in a short time, with an emphasis on concrete action. Sullivan noted GOB and USG are working together bilaterally to address global challenges and now are expanding cooperation in third countries.

DEVELOPMENT/SOCIAL INCLUSION COOPERATION

¶3. (SBU) Participants welcomed a deeper partnership between the US and Brazil in development assistance in third countries, particularly in Haiti and Portuguese-speaking Africa. GOB welcomed proposals to expand cooperation in areas such as health projects in Mozambique and food security in Haiti, drawing on both sides' experiences and expertise to explore trilateral projects. The USG welcomed Brazilian participation in country-specific donor coordination meetings. MRE proposed further cooperation on forced labor, particularly child labor, issues as well as on advancing Millennium Development Goals. Both sides welcomed the US-Brazil Joint Action Plan to promote racial equality. As a former Ambassador to Mozambique, U/S Mendonca particularly welcomed the value of cooperation with the United States on development assistance in Africa. In general, this topic generated palpable excitement on the Brazilian side, as the country moves toward a broader role as a donor country. Emphasizing assistance programs have to be more collaborative and have to include social inclusion/social justice aims, A/S Shannon underlined the value in working with partners experienced in addressing the latter to build institutions in less developed countries. Both sides agreed that USG-GOB cooperation on biofuels assistance in third countries has been excellent and serves as a model for increased bilateral cooperation in assistance to developing countries.

AGRICULTURE

14. (U) Both sides expressed satisfaction with the USDA/Ministry of Agriculture Consultative Committee on Agriculture (CCA) recent discussions. Sullivan noted significant common interests and potential for expanded agricultural cooperation between the United States and Brazil, including in the Doha Round and biofuels. He suggested cooperative work on increasing agricultural productivity could be helpful in addressing food price spikes. Shannon agreed that working together on food security issues could be an important element of social inclusion cooperation. MRE took the opportunity to reiterate its proposal that CODEX centralize meetings in Geneva, rather than in committee-chair countries, to facilitate developing country participation. FAS attach noted the United States also wishes to ensure effective developing country participation in CODEX and will co-host, with Mexico, a November CODEX workshop to develop recommendations to address this issue. MRE confirmed GOB would participate in the workshop and noted perhaps a "co-hosting" model could address some of the budget implications of its proposal.

INFRASTRUCTURE

15. (U) MRE affirmed GOB continued commitment to the Program to Accelerate Growth (PAC) infrastructure investment program, briefing that President Lula strongly supports infrastructure investment's counter-cyclical effects at a time of global financial crisis as a way to stimulate tangible investment and countercapital flight. MRE confirmed GOB does not intend to impose significant GOB budgetary constraint on PAC spending. MRE noted GOB plans further infrastructure roadshows in the United States, with the next sector to be determined. MRE would also welcome a US trade mission to

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Brazil, focused for example on oil drilling equipment or on information technology products related to infrastructure development.

SECTORAL COOPERATION

16. (U) Following the textiles sectoral cooperation seminar last spring bringing together industry and government representatives, MDIC (Commerce Ministry) would like to propose a similar event focused on the software industry. MDIC, in cooperation with Brazilian industry, has developed a "Forum for Software Competitiveness" and proposes to invite USG to join their efforts to promote Brazilian software in the United States. MDIC indicated the idea is still in development. MRE also indicated an aviation-related sectoral seminar idea is also being developed. Sullivan confirmed there would be US interest in an aviation-related cooperative initiative.

AVIATION

17. (SBU) Participants welcomed the June civil aviation bilateral agreement. A/S Sullivan noted the agreement's excellent potential for both countries' companies and for the development of Brazil's northeast region. Looking ahead, he expressed USG interest in eventually reaching an Open Skies agreement with Brazil. MRE noted GOB is approaching consideration of Open Skies with caution given that US companies so far are using expanded routes more than Brazilian companies, and Brazilian industry has difficulties competing, but that industry and negotiators are becoming more interested over time in considering exploring the possibility.

HAITI HOPE II

18. (SBU) MRE indicated GOB is interested in exploring if Brazil can take advantage of HOPE II rules of origin to stimulate productive investment in Haiti that could help that country reach development objectives. MRE accepted DOC invitation to come to Washington in December to explore the idea further. MRE further indicated it is exploring the feasibility of a Brazilian HOPE-equivalent program. Noting it might be able to offer such a program unilaterally to Haiti, or with Mercosul partners if the program is created in negotiation with Haiti, MRE emphasized a Brazilian HOPE-style program enjoys strong, concrete Brazilian textile industry support.

A/S Sullivan confirmed USG interest in continuing this dialogue as the GOB proposal becomes more concrete.

IMPORT SAFETY

¶9. (U) MRE noted with satisfaction the continuing bilateral cooperation in this area, citing the September 5th import safety discussions held in Washington and the recently signed Memorandum of Understanding on October 22 between Brazil's National Institute of Metrology, Standardization and Industry Quality (INMETRO) and the U.S. Consumer Product Safety Commission (CPSC). MRE proposed establishing a bilateral work group of experts tasked with researching past product recall procedures in order to streamline the process. MRE proposed that State and MRE take the lead on overseeing future import safety cooperation, while the U.S. side noted that USG procedures do not permit the State Department to take the lead on the work of other agencies.

DISTINCTIVE PRODUCTS

¶10. (SBU) MRE confirmed that Agriculture Ministry will be able to remove the current GOB definition of bourbon and can proceed to identify bourbon and Tennessee whisky as uniquely of U.S. origin. TTB noted that rulemaking on reclassifying cacheca as a Brazilian origin product without the "rum" identifier is moving quickly and will be ready soon for public comment. Both sides emphasized the importance of the rulemaking process moving in parallel in both Brazil and the United States to manage industry sensitivities. (see ref B for complete discussion of October 29 technical meetings)

INNOVATION

¶11. (U) Over lunch, OES Bruce Howard offered a presentation on fostering innovation, emphasizing in particular the importance of intellectual property rights protection and noting OECD work on innovation. MRE noted the Joint Commission on Science and Technology (JCM) would discuss innovation cooperation in meetings the next day, including IPR. Participants welcomed Brazilian DCM Abreu's suggestion that the EPD review the results of JCM, CEO Forum, and Council on Competitiveness/MBC private sector work on innovation cooperation and decide in the future whether EPD can add value to other ongoing processes.

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INTERNET GOVERNANCE/TELECOMMUNICATIONS MUTUAL RECOGNITION AGREEMENT

¶12. (U) MRE reiterated GOB view that the ICANN MOU does not provide a sufficient international role. A/S Sullivan noted the Internet Governance Forum meetings have been productive. A/S Shannon noted USG concerns that any stakeholder-driven process not serve to constrain the internet or inhibit freedom of expression. Turning to the potential for a US-GOB Mutual Recognition Agreement (MRA) on telecommunications/information technology products explored in previous EPD meetings, A/S Sullivan affirmed continued USG and industry interest as a "win-win" for consumers and manufacturers. MRE noted that Brazilian legislation in general requires certification tests to be performed in Brazil, but some exceptions exist for telecommunications/information technology products. Possibilities therefore for MRA coverage may therefore be limited; MRE committed to provide a paper laying out what products potentially could be covered under a MRA.

INVESTMENT/TAX TREATY

¶13. (U) MRE noted the investment technical session October 29 (see septel) was productive. MRE proposed holding another technical discussion on the margins of the next EPD, expressing particular interest in learning more how USG approaches disputes under NAFTA Chapter 11 and how USG manages foreign investment under CFIUS. A/S Sullivan noted the importance Brazilian and US industry attaches to reaching a bilateral investment agreement as well as a bilateral tax agreement. MRE welcomed progress in tax discussions to date.

OECD

¶14. (SBU) Emphasizing the OECD needs to reflect the diversity of the 21st century's global economy, A/S Sullivan welcomed Brazil's

enhanced engagement and contribution of its expertise in areas such as biofuels and other energy issues. Noting sensitivities remain among some in Brazil regarding the OECD, MRE welcomed increasing developing country participation. MRE noted GOB has reviewed interagency all the committees of the OECD and has identified further committees Brazil can engage in that are "not too sensitive for us." One MRE participant noted that Brazil has contributed biofuels-related data that OECD chose not to incorporate, which does not help convince internal nay-sayers of the value of the organization.

COMMENT

¶15. (SBU) The EPD meeting served to affirm the value USG places in this forum to foster concrete positive cooperation on economic issues with GOB. The new Economic Undersecretary equally underlined the value of the EPD for MRE. On the margins of the meeting, MRE emphasized that FM Amorim remains strongly committed to and interested in this Dialogue. The tangible progress on deepening cooperation on development and social inclusion issues in third countries was a particular highlight of this session. MRE interest and commitment to working with the USG to expand this cooperation in Africa and Haiti was evident. Mission believes the EPD has been instrumental in achieving tangible successes in the economic area with Brazil and strongly supports continuation of this Dialogue in the new Administration. END COMMENT

¶16. (U) This cable was cleared by the delegation.

KUBISKE